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SUBJECT: BRAZIL: Trade, Taxes and Investment - CAMEX Lytha Spindola and Ambassador meeting August 20

REF: SAO PAULO 454

¶1. (SBU) SUMMARY: In a meeting August 20 between Ambassador Sobel and CAMEX (see para 7) Executive Secretary Lytha Spindola, Spindola hinted strongly that MRE is becoming extremely interested in pursuing 4 plus 1 conversations on trade with the United States. She expressed optimism that forward movement on both the TIEA and the tax treaty negotiations would be possible once the current political atmosphere on information exchange calms down in the press. Spindola will be in Washington September 3 and 4 to participate in an MRE-led delegation examining non-tariff measures in meetings with USG agencies. END SUMMARY.

¶2. (SBU) Making clear she was speaking informally, Spindola indicated that, after expected Doha Round meetings in September, GOB will resume thinking about trade agreements and the focus will turn to extra-regional agreements. She signaled MRE is considering proposing taking up the 4 plus 1 process again. She emphasized that Amorim will be very interested in the extra-regional agenda. (NOTE: See reftel. In the Ambassador's meeting August 21 with Mario Marconini, International Negotiations Director for FIESP, Marconini commented that 4 plus 1 would be 5 plus 1 (Venezuela) and that GOB would be more likely to put more energy into EU negotiations. END NOTE). Spindola indicated she is assembling a recommendation list for which countries to engage. She will propose to Ministers at the August 28 CAMEX meeting that they put this issue on a near-term CAMEX agenda. Spindola strongly encouraged the Ambassador to reach out to FM Amorim to discuss further. She reminded the Ambassador that MDIC, Finance and External Relations Ministers are the "triumvirate" needed to secure CAMEX agreement on important issues.

¶3. (SBU) Spindola acknowledged the flurry of recent press highlighting opposition from Congress members, lawyers, and some in the private sector to information exchange under the Tax Information Exchange Agreement (TIEA) with the United States. She believed that once the negative press on both the TIEA and on the July 31 appointment of Lina Vieira as head of the Receita Federal (Brazilian IRS) calms down, progress on achieving congressional ratification of the TIEA and substantive BTT negotiations will be possible. (NOTE - the press has reported negatively on Vieira's appointment, casting aspersions on both her technical expertise and her close relationship with Finance Ministry policymakers, questioning both her independence and her ability to do her job. Vieira has been a civil servant for thirty six years serving with state and federal tax authorities. Post impression to date is she is deeply knowledgeable on tax issues and fully recognizant of political dynamics within her government. Spindola and Vieira are reportedly close friends. END NOTE).

¶4. (SBU) Spindola summarized that she is "very optimistic" about the future US-Brazil economic cooperation relationship. She believes the 4 plus 1 process on trade could be re-launched, that progress on completing a bilateral tax treaty will be possible, and (reminding that CAMEX agreed to guidance to prioritize negotiating investment agreements with countries with which Brazil is negotiating "FTAs"), that progress toward an investment agreement could also be possible in the near future. (COMMENT: The "FTAs" Brazil is currently negotiating together with its Mercosul partners in general fall short of the US definition of a Free Trade Agreement. Similarly, CAMEX agreed guidelines for negotiating investment agreements appear

to fall short of US BIT standards. END COMMENT).

15. (U) Spindola will join a MRE-led delegation September 3 and 4 that will meet with FDA and other USG agencies in Washington to discuss non-tariff measures. She is particularly interested in the delegation's intention to explore USG risk assessment and risk management practices. Her interest arises from her role supporting CAMEX's trade facilitation agenda.

16. (SBU) COMMENT: The Ambassador found Spindola's signal that Brazil may soon be interested in resuming four plus one trade discussions very intriguing. He intends to seek a meeting with FM Amorim as soon as possible to explore the Minister's thinking further. The Ambassador was similarly encouraged by Spindola's optimism that the tax and investment agenda with the United States might soon be in a position to make progress. He intends to follow up with Spindola after the August 28 CAMEX meeting. Spindola reportedly enjoys a close relationship with MDIC Minister Miguel Jorge and with some within Fazenda and is now better positioned in her relationship with Receita Federal. Her position permits her access to the internal deliberations of Ministers on trade-related issues, and as the person responsible for coordinating their meetings, she has some ability to help shape the agenda. END COMMENT.

17. (U) REMINDER NOTE: As previously reported, CAMEX (the External Trade Chamber) is in some ways comparable to the USG TPSC/TPRG/Econ Deputies/Econ Principals process. Membership is composed of MDIC (Commerce Ministry, the Chair), Casa Civil (President's staff), MRE (Foreign Relations Ministry), Finance, Agriculture, Planning, and Agriculture Development Ministries. CAMEX has an Executive Secretariat, and Lytha Spindola is the Executive Secretary. CAMEX work is done in working groups progressively up through a Council of Ministers that takes decisions. While the TPRG process is a good comparison, CAMEX has a broader mandate, with responsibility for decisions on: trade defense measures; trade facilitation; common

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external tariff changes decisions; export guarantees; international negotiations; and trade security. That is, CAMEX does everything from approving anti-dumping cases to green-lighting MRE's proposed WTO negotiating positions to setting tariff rates. Like our system, some issues are "easy" and never rise to political level for debate while others receive high-level engagement. END NOTE

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